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COMPONENTS OF NEBRASKA'S PERSONAL INCOME

Nebraska's personal income rose from $2.7 billion in 1958 to $16.9 billion in 1982, a jump of 526 percent. Over the same interval, United States personal income grew from $401 billion to $2,572 billion, a gain of 618 percent. For perspective, prices over this period increased 214 percent as measured by the Consumer Price Index. This means Nebraska's *real* personal income increased about seven-eighths of the national gain 1958–1982.

The personal income (PI) of an area is defined by the Bureau of Economic Analysis, U.S. Department of Commerce, as income received by, or on behalf of, the residents of an area. It is comprised of income received from all sources, including active participation in production; from transfer payments from the public sector and private sources; and public interest payments which are treated as transfer payments. PI includes the incomes of individuals; nonprofit institutions; private, noninsured welfare funds; and private trust funds. Proprietors' income is treated as income received by individuals and is also part of PI.

This report reviews Nebraska's personal income by component from 1958 through 1982. The selection of these years was deliberate. Gross National Product declined 1.8 percent in 1958. Prosperity was sustained after the 1958–1959 recession for most of the twenty years. The analysis extends through 1982, the last year for which component data are available for Nebraska. Both beginning and ending years were recession years, which makes comparison meaningful (since a poor year is not compared to a good year or vice versa).

To analyze the changes in the Nebraska economy over this period, three-year comparisons are used. Averages reduce the risk of giving undue weight to economic events of a particular year. Outside forces dramatically impact the state income year-to-year. For instance, farm income nearly doubled between 1980 and 1981; it soared from $637 million to $1,157 million (Table1). This sharp change from year-to-year is not unusual in a small state such as Nebraska, since grain exports and inventories can change radically in a short period. Averages smooth irregular trends.

CHANGES IN NEBRASKA PERSONAL INCOME 1958–1982

Personal income increased 465 percent over the interval 1958–1962 to 1980–1982 (three-year averages). Nonfarm income grew 517 percent, while farm income gained 137 percent (Table 1). Farm income failed to keep pace with other sources of personal income because commodity and livestock prices did not grow as rapidly as nonfarm incomes.

For example, corn on the farm was $1.05 per bushel in 1958. The price was $2.82 per bushel in 1982, an increase of 168 percent. This gain was less than personal income or nonfarm income, but about equal to farm income increases. Wheat prices escalated from $1.75 to $3.39 per bushel, an increase of 94 percent, over the same interval. Cattle prices gained 159 percent. Major components of Nebraska farm income had price changes well below other factors, which "explains" the poor performance of farm income compared with total personal income.

Over this quarter of a century, nonfarm income sources led personal income growth in Nebraska. Wages and salaries and transfer payments have been an increasingly important source of income in the state. For example, wages and salaries increased from $1.5 billion 1958–1960 to $8.9 billion 1980–1982, a jump of 475 percent (Table1). Transfer payments grew from $185 million to $2.0 billion, a gain of 977 percent. Dividends and rents and royalties increased at a rate below Nebraska's total personal income gain. Interest payments, however, multiplied at a pace greater than Nebraska's total personal income. In general, Nebraska followed national trends, as a comparison of data in Tables 1 and 2 reveals.

Interest payments to Nebraskans were up 1,388 percent from the late 1950s to the early 1980s: $175 million per year 1958–1960 and $2.6 billion per year 1980–1982. This sharp increase reflects the higher interest rates of the 1980s. Nebraskans' propensity for thrift is apparent; the amount of interest paid to them increased more rapidly than interest paid nationally. Nebraska has a larger proportion of population over 65, which may also account for the larger interest payment gain.

Growth in Nebraska wages and salaries has outpaced personal income during the past twenty-five years, 475 percent versus 465 percent. The rate of change of wages and salaries among sectors of the Nebraska economy, however, shows considerable variation. Construction and manufacturing failed to match the increase in wages and salaries. Construction wages and salaries gained a little over 300 percent, while those in manufacturing grew approximately 425 percent; both are below the 465 percent growth rate for total personal income. Manufacturing employment expanded rapidly in the 1960s and 1970s, but these gains still left manufacturing wage and salary increases below all wage and salary increases. Combined wholesale and retail trade wages and salaries increased at a slightly lower rate than the total. Finance, insurance, and real estate wages, as well as services wages, have increased more rapidly than total personal income.

(continued on page 6)

Table 1
Nebraska Personal Income by Component, 1958-60 and 1980-82
(Millions of Dollars)

	Average 1958-60	Percent of Total 1958-60	Average 1980-82	Percent of Total 1980-82	Percentage Growth 1958-60 to 1980-82
TOTAL PERSONAL INCOME	2,809	100.0	15,864	100.0	464.59
Farm	388	13.8	919	5.8	136.84
Nonfarm	2,421	86.2	14,944	94.2	517.11
Dividends	66	2.4	335	2.1	407.54
Interest	175	6.2	2,605	16.4	1,388.83
Rents and Royalties	221	7.9	577	3.6	160.81
TRANSFER PAYMENTS	185	6.6	2,000	12.6	977.06
Social Security	84	3.0	991	6.3	1,080.18
Income Maintenance	15	0.5	111	0.7	624.69
WAGES AND SALARIES*	1,554	100.0	8,941	100.0	475.38
Construction	108	7.0	434	4.9	301.16
Manufacturing	298	19.2	1,569	17.5	424.88
Transportation, Communication, Utilities	198	12.8	1,036	11.6	421.05
Railroad Transportation	98	6.3	420	4.7	328.61
Wholesale Trade	112	7.2	861	9.6	667.75
Retail Trade	196	12.7	778	8.7	295.59
Finance, Insurance, Real Estate	91	5.9	624	7.0	584.15
Total Services	152	9.8	1,317	14.7	761.13

*Industries do not add to 100% because data for government were omitted.
SOURCE: U.S. Department of Commerce, Bureau of Economic Analysis

Table 2
United States Personal Income by Component, 1958-60 and 1980-82
(Billions of Dollars)

	Average 1958-60	Percent of Total 1958-60	Average 1980-82	Percent of Total 1980-82	Percentage Growth 1958-60 to 1980-82
TOTAL PERSONAL INCOME	380,102	100.0	2,385	100.0	527.65
Farm	14,339	3.8	34	1.5	143.01
Nonfarm	365,762	96.2	2,350	98.5	542.73
Dividends	12,150	3.2	61	2.6	410.21
Interest	22,627	6.0	324	13.6	1,333.99
Rents and Royalties	13,700	3.6	40	1.7	198.73
TRANSFER PAYMENTS	27,327	7.2	336	14.1	1,131.11
Social Security	9,942	2.6	136	5.7	1,277.80
Income Maintenance	3,246	0.9	34	1.4	957.14
WAGES AND SALARIES*	255,060	100.0	1,466	100.0	475.03
Construction	15,071	5.9	78	5.3	417.82
Manufacturing	85,127	33.4	374	25.5	339.78
Transportation, Communication, Utilities	21,871	8.6	111	7.6	411.69
Railroad Transportation	5,550	2.2	12	0.9	128.45
Wholesale Trade	16,147	6.3	103	7.1	540.92
Retail Trade	26,762	10.5	141	9.7	429.18
Finance, Insurance, Real Estate	11,801	4.6	88	6.0	648.34
Total Services	27,159	10.6	248	16.9	813.94

*Industries do not add to 100% because data for government were omitted.
SOURCE: U.S. Department of Commerce, Bureau of Economic Analysis

Figure 1
Nebraska Personal Income
Percent of Total

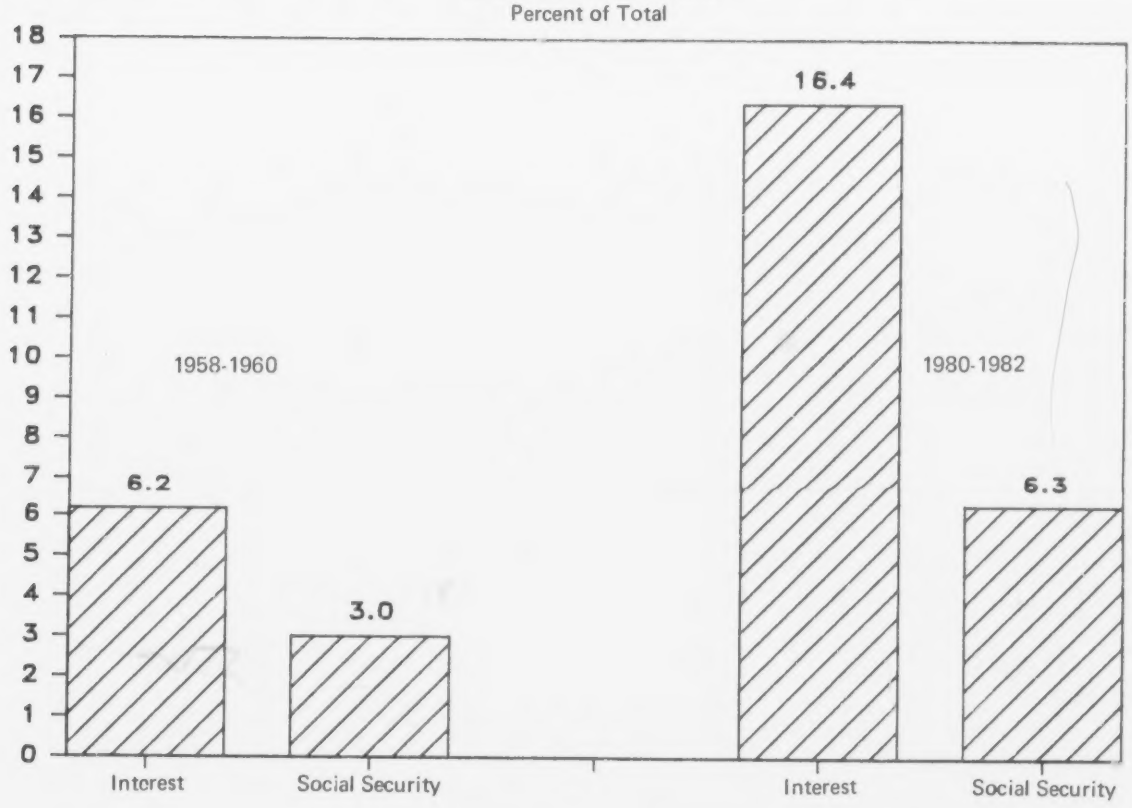
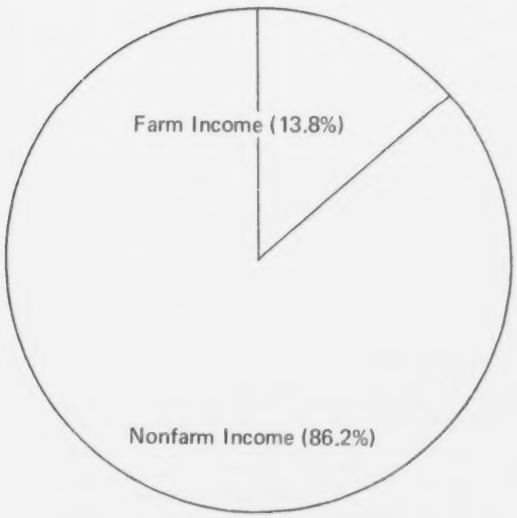
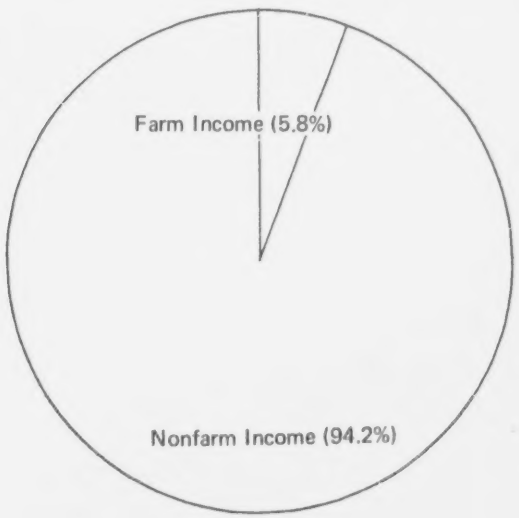


Figure 2
Nebraska
Percent of Total Personal Income



1958-1960



1980-1982

Review and Outlook

May was generally a good month for the Nebraska economy, with increases in most of the major economic indicators for the state. Based on the physical volume index, real output for the state rose 0.5 percent from its April 1984 level and was 4.3 percent above its value of last May. Nebraska's growth was not as strong as the nation's, as comparable figures indicate gains of 0.9 percent and 6.2 percent respectively.

The April-to-May increase in activity was due to a 1.8 percent rise in nonagricultural activity. The agricultural sector fell 7.3 percent. All four of the state's nonagricultural sectors reported gains during the month, with construction's 8.3 percent increase leading the way. The monthly growth rates for the remaining sectors were manufacturing, +2.0 percent; distributive, +1.4 percent; and government, +1.0 percent.

The construction sector has recovered quite strongly in 1984. May's index was 32.4 percent above the previous May. Construction has recorded five consecutive month-to-month increases.

Manufacturing, another sector hard hit by the latest recession, also has shown some resurgence in 1984. May's index was 11.2 percent higher than May 1983. Manufacturing's record in 1984 has not been as consistent as construction's, but it has exper-

(continued on page 5)

Notes for Tables 1 and 2: (1) The "distributive" indicator represents a composite of wholesale and retail trade; transportation, communication and utilities; finance, insurance, and real estate; and selected services. (2) The "physical volume" indicator and its components represent the dollar volume indicator and its components adjusted for price changes using appropriate price indexes—see Table 5, page 5.

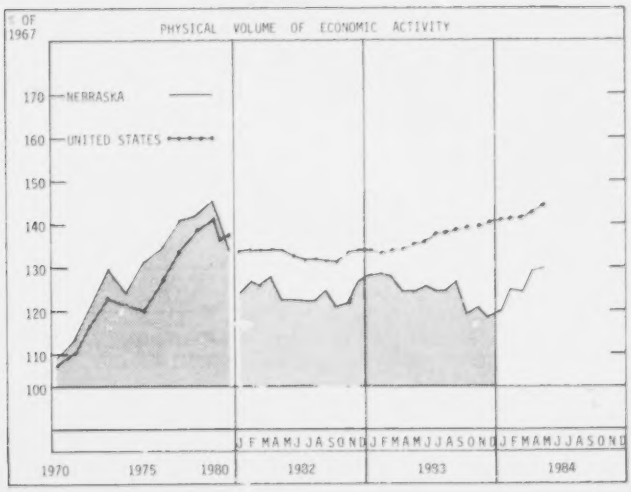
ECONOMIC INDICATORS: NEBRASKA AND UNITED STATES

1. CHANGE FROM PREVIOUS YEAR

May 1984	Current Month as Percent of Same Month Previous Year		1984 to Date as percent of 1983 to Date	
Indicator	Nebraska	U.S.	Nebraska	U.S.
Dollar Volume	108.8	110.4	103.8	110.4
Agricultural	107.6	104.9	81.6	94.7
Nonagricultural	108.9	110.6	107.6	110.9
Construction	136.4	121.8	141.8	121.8
Manufacturing	115.3	115.7	115.9	109.8
Distributive	104.0	109.1	102.0	109.8
Government	114.6	105.0	113.7	106.0
Physical Volume	104.3	106.2	99.0	106.0
Agricultural	104.7	100.4	77.8	87.4
Nonagricultural	104.2	106.4	103.0	106.6
Construction	132.4	118.2	138.3	118.8
Manufacturing	111.2	111.9	112.2	111.5
Distributive	99.7	104.7	97.7	105.2
Government	105.3	100.3	104.7	100.7

2. CHANGE FROM 1967

	Percent of 1967 Average	
Indicator	Nebraska	U.S.
Dollar Volume	371.2	420.9
Agricultural	332.8	354.0
Nonagricultural	376.8	423.1
Construction	346.3	413.3
Manufacturing	379.0	327.5
Distributive	373.0	477.8
Government	421.9	421.0
Physical Volume	129.2	144.1
Agricultural	129.5	137.8
Nonagricultural	129.1	144.3
Construction	101.9	121.6
Manufacturing	151.5	128.7
Distributive	120.5	154.3
Government	152.8	147.8

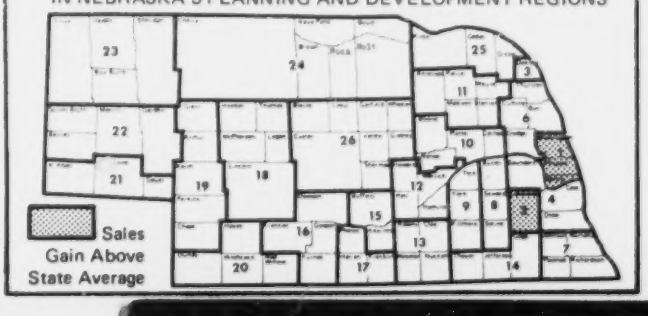


3. NET TAXABLE RETAIL SALES OF NEBRASKA REGIONS AND CITIES

Region Number and City	City Sales: May 1984 as percent of May 1983	Sales in Region: May 1984 as percent of May 1983	Sales in Region: 1984 to date as percent of 1983 to date
The State	110.7	110.8	106.9
1 Omaha	121.5	120.2	111.7
Bellevue	111.6		
Blair	108.8		
2 Lincoln	109.4	111.8	109.7
3 So. Sioux City	113.0	107.1	101.7
4 Nebraska City	97.8	97.7	99.2
6 Fremont	103.2	98.6	99.3
West Point	91.6		
7 Falls City	96.6	95.6	95.5
8 Seward	87.7	98.2	102.2
9 York	101.3	103.1	101.4
10 Columbus	101.5	99.3	97.8
11 Norfolk	102.3	98.9	96.2
Wayne	86.9		
12 Grand Island	107.8	105.5	102.1
13 Hastings	112.7	105.9	101.5
14 Beatrice	98.3	96.4	95.8
Fairbury	83.1		
15 Kearney	102.9	100.5	102.0
16 Lexington	104.1	102.7	97.6
17 Holdrege	95.3	95.8	94.6
18 North Platte	101.6	101.2	100.1
19 Ogallala	111.8	107.9	104.2
20 McCook	98.7	97.0	97.8
21 Sidney	108.9	111.8	105.8
Kimball	120.4		
22 Scottsbluff/Gering	100.7	105.8	102.4
23 Alliance	99.1	103.5	98.8
Chadron	95.1		
24 O'Neill	96.4	93.5	94.2
25 Hartington	96.8	87.4	90.5
26 Broken Bow	104.3	95.6	92.7

State totals include sales not allocated to cities or regions. The year-to-year ratios for city and region sales may be misleading because of changes in the portion of unallocated sales. Region totals include, and city totals exclude, motor vehicle sales. Sales are those on which sales taxes are collected by retailers located in the state. Compiled from data provided by Nebraska Department of Revenue.

1984 YEAR TO DATE AS PERCENT OF 1983 YEAR TO DATE IN NEBRASKA'S PLANNING AND DEVELOPMENT REGIONS



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ienced month-to-month increases in four of the five months for which data are available in 1984.

The two remaining nonagricultural sectors, distributive and government, also have experienced growth during 1984, but they have been less consistent than the previously mentioned sectors.

Agriculture continues to be the state's most volatile sector, with increases one month and losses the next. Seasonally adjusted cash farm marketings in May dropped $63.7 million (13.4 percent) from April 1984 and stood at $475 million. Prices received, however, were unchanged.

Retail sales in May 1984 were up 10.8 percent from the previous May. After adjustment for price changes, retail sales rose 5.6 percent. Sales in 1984 have been fairly strong, as May represents the fourth month of real growth.

May's 10.7 percent increase in nonmotor vehicle sales was the largest growth rate so far in 1984. Even with allowances for price changes, nonmotor vehicle sales recorded a substantial 6.9 percent increase.

Motor vehicle sales grew 11.9 percent in May when compared to the previous May. Because of the nearly 15 percent rise in prices, however, real motor vehicle sales dropped 2.3 percent.

Fourteen of the twenty-six business indexes grew during May 1984 when compared to a year ago. With increases in employment, retail sales, and building activity, Omaha led the state with a 12.0 percent increase in its index. The indexes show that much of the state's growth occurred in its metropolitan areas, specifically Omha, Bellevue, South Sioux City, and Lincoln. Kearney rounded out the top five.

JEROME A. DEICHERT

Source: Table 3 (page 4) and Table 4 below.

4. May 1984 — CITY BUSINESS INDICATORS

The State and Its Trading Centers	Percent of Same Month a Year Ago: Employment[1]	Building Activity[2]	Power Consumption[3]
The State	101..	139.3	108.3
Alliance	100.0	12.0	105.9
Beatrice	101.7	40.1	113.8
Bellevue	103.1	201.1	110.4
Blair	98.1	48.8	96.9*
Broken Bow	103.1	109.4	95.8*
Chadron	104.0	13.7	94.9
Columbus	101.9	75.4	116.4
Fairbury	102.3	44.1	111.4
Falls City	100.7	453.9	101.2
Fremont	100.3	156.9	117.1*
Grand Island	102.5	59.4	103.5
Hastings	99.9	77.6	104.3
Holdrege	102.0	89.4	95.8
Kearney	100.8	348.4	108.3
Lexington	103.0	61.4	224.5
Lincoln	101.6	148.1	103.0
McCook	97.0	116.1	106.0
Nebraska City	101.0	228.1	107.0
Norfolk	101.4	192.5	103.1
North Platte	104.5	75.4	104.1
Omaha	103.1	183.1	110.4
Scottsbluff/Gering	101.0	133.0	122.0
Seward	99.0	55.5	106.1
Sidney	99.4	96.9	117.2
So. Sioux City	101.7	144.9	116.3
York	99.5	85.2	99.2

[1] As a proxy for city employment, total employment for the county in which a city is located is used.

[2] Building Activity is the value of building permits issued as spread over an appropriate time period of construction. The U.S. Department of Commerce Composite Construction Cost Index is used to adjust construction activity for price changes.

[3] Power Consumption is a combined index of consumption of electricity and natural gas except in cases marked * for which only one is used.

Source: Compilation by Bureau of Business Research from reports of private and public agencies.

5. PRICE INDEXES

May 1984	Index (1967 = 100)	Percent of Same Month Last Year	Year to Date as Percent of Same Period Last Year*
Consumer Prices	309.7	104.2	104.4
Commodity component	280.4	103.5	104.0
Wholesale Prices	311.7	103.4	103.2
Agricultural Prices			
United States	257.0	104.5	108.3
Nebraska	257.0	102.8	104.8

*Using arithmetic average of monthly indexes.
Sources: Consumer and Wholesale Prices: U.S. Bureau of Labor Statistics; Agricultural Prices: U.S. Department of Agriculture.

(continued from page 1)

The main sources in Nebraska's personal income growth during the past quarter of a century were wage and salary income from services, transfer payments, and interest payments. Manufacturing, construction, and farm incomes have slipped behind the overall average income change.

It is interesting to note that Social Security retirement and disability payments were larger than farm income over the period 1980–1982. In the earlier period 1958–1960, Social Security payments were a little over one-fifth of net farm income; in the latter interval 1980–1982, Social Security payments were slightly above net farm income (Table 1). Interest payments are also larger than net farm income. In the 1980s, interest payments to Nebraskans were nearly three times net farm income, $2.6 billion compared with $919 million average per year 1980–1982. Part of this increase in interest and Social Security payments reflects the fact that Nebraska has a larger proportion of persons over 65.

Rent and royalty incomes have increased slightly over the last twenty-five years: 160 percent over the interval 1958–1960 to 1980–1982. Rent and royalty incomes are heavily influenced by land rents in Nebraska. This slow increase represents lagging farm income. Sluggish commodity prices have undoubtedly impacted land rent payments.

Manufacturing has the largest payroll in terms of dollars of any sector; the 1980–1982 average was $1.6 billion. Total services ranked second with a payroll of $1.3 billion, followed by the transportation, communication, and public utilities sector at $1.0 billion. Data in Table 3 rank wage and salary payroll by sector and compare it with income from other sources such as Social Security, interest, and farm income. Interest payments were larger than any payroll sector over the period 1980–1982.

SUMMARY AND CONCLUSIONS

Over the past quarter century, Nebraska personal income has increased at seven-eighths the rate of United States personal income growth. Nebraska income gains are lower, primarily because farm income increased a scant 137 percent over the interval 1958–1960 to 1980–1982. It is no surprise farm income has done so poorly; commodity prices have lagged behind other prices. Manufacturing income has also failed to rise as quickly in Nebraska as it did in the United States, although it has fared less poorly than farm income. Manufacturing in Nebraska is more closely associated with the agricultural sector than it is nationally. The poor (relative to other price changes) performance of grain and livestock prices also slows this component of Nebraska's income.

The implications of this review of the components of personal income can be stated simply. It is imperative for Nebraska to diversify its economy in order to lessen its dependence upon commodity prices. The returns to capital and labor in agriculture appear below the returns in nonagricultural industries. World agriculture output has increased over the past twenty-five years. Sometimes this increase has been erratic and commodity prices have risen sharply, but dire predictions of famine have not materialized. Speculation upon crop failures could lead to below average economic performance for Nebraska in the future.

DONALD E. PURSELL

Table 3

Selected Components
Of Nebraska Personal Income 1982

(millions of $)

Interest Earnings	2,924
Wages and Salaries	
Manufacturing	1,574
State and Local Government	1,490
Services	1,471
Transportation, Communication, Utilities	1,071
Wholesale Trade	824
Social Security	1,119
Net Farm Income	962

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